

planning may allow clients to secure favorable tax treatment for any expenditures they incur in fixing the problem.

And at least one suit seeking damages for an alleged inability of a computer to recognize dates after the year 2000 has already been filed. Produce Palace International Inc., which operates a grocery store in Warren, Mich., claims in a suit filed in state court in Macomb County, Mich., that cash registers it purchased in 1995 aren't capable of reading credit cards with expiration dates after the year 1999. The suit names TEC America Inc. of Atlanta and All American Cash Register Inc. of Inkster, Mich., as defendants.

Mark Yarsike, who owns Produce Palace, says he was dismayed to discover a problem with the high-tech cash registers, which cost \$150,000 and are capable of tracking inventory, among other things. The entire network crashes, he says, whenever a customer tries to use a credit card with an expiration date later than 1999. Mr. Yarsike is seeking \$10,000 in damages.

TEC denies that its system is flawed and has filed a cross-complaint against All American Cash Register, which installed the machines, claiming that any problems were caused during installation and maintenance. A lawyer for All American Cash Register declined to comment.

Ms. Manaldi, the attorney for TEC, notes that the lawsuit has received a lot of media attention for being possible the first to make a year 2000 claim and calls the allegations about a millennium bug a stunt to generate publicity. Produce Palace's attorney, Brian P. Parker of Bingham Farms, Mich., defends the action. "I just wrote the complaint based on what [my client] was telling me," he says. "A lot of lawyers are salivating over this. I'm not into that."

[From the Wall Street Journal, Nov. 6, 1997]  
CPA GROUP TO ISSUE GUIDELINES ON COSTS OF  
YEAR 2000 BUG

(By Elizabeth MacDonald)

The American Institute of Certified Public Accountants will issue guidelines today advising auditors on how to push corporations to disclose and account for year-2000 costs.

Computer experts say the year-2000 software bug, by causing systemwide failures when the clock strikes midnight on New Year's Eve in 1999, could cost billions of dollars to fix. At that time, many computers will read "00" as 1900 instead of 2000 and subsequently process data incorrectly or shut down altogether.

The problem is many companies have yet to address the issue, and the accounting industry is getting anxious. The new "tool kit" by the accounting industry's largest trade group summarizes all of the year-2000 accounting, disclosure and auditing standards now in place and describes companies' and auditors' responsibilities in reporting the associated costs.

The guidelines state that auditors must get "reasonable assurance" from corporate-audit clients that their financial statements "are free of material misstatements" involving likely year-2000 problems and how much it will cost to fix them. "Material misstatements," such as inflated inventories, could prompt companies to overstate or understate profits.

Under the guidelines, however, auditors need to get the assurances only for these material misstatements, errors that some accounting experts say could result in losses of about 10% or more of a company's pretax profit. "Auditors could argue that they're not liable for smaller losses resulting from the year-2000 problem because the amounts are not material," says J. Edward Ketz, an associate professor of accounting at Pennsylvania State University's Smeal College of Business. "But if they don't detect a problem

that results in losses greater than 10% then they may be held responsible."

Last month, the Securities and Exchange Commission related disclosure guidelines that instruct companies to "consider" disclosing their year-2000 costs to investors in their annual reports or to indicate how the year-2000 problem might hurt future profits. The Financial Accounting Standards Board passed an accounting rule, which took effect last year, that lets companies immediately write off these costs.

But so far only a few corporations, including New England Power Co. and Equitable of Iowa Cos. have quantified their year-2000 costs and disclosed them in their quarterly reports, according to a study by the Analyst's Accounting Observer, a stock analysts' publication in Baltimore.

Auditors are afraid they could be hit with shareholder lawsuits if they don't flag the problem for corporate clients. Such suits could add to the Big Six accounting firms' \$30 billion in legal claims stemming from allegedly flawed audits. "That's why the profession is now publicizing what their responsibilities are, which could protect them against investor lawsuits," Prof. Ketz says.

Alan Anderson, chairman of AICPA's year-2000 task force, says, "Clearly, the year-2000 problem is not just an accounting issue but a business issue with global implications." Larry Martin, chairman of Data Dimensions Inc., a Bellevue, Wash., computer-consulting firm, says of the problem, "A third of the companies in this country will either fail or face significant reductions in their business operations."•

#### TRIBUTE TO DR. JOHN MURPHY

• Mr. MCCAIN. Mr. President, I rise today to honor Dr. John E. Murphy of Tucson, AZ for serving as the 1997-98 president of the American Society of Health-System Pharmacists [ASHP]. ASHP is the national professional association which represents pharmacists practicing in various areas of the health care system, including hospitals, health maintenance organizations, long-term care facilities, home health care, and many other vital components of our Nation's health care system.

Dr. John Murphy resides in Tucson where he heads the department of pharmacy practice and science at the University of Arizona College of Pharmacy. He earned his B.S. and Pharm. D degrees at the University of Florida, and later served as a member of the faculty and as director of residencies at Mercer University School of Pharmacy in Georgia. He served as an ASHP board member and chair of its Legal and Public Affairs Council. He also served on many committees of the Arizona Society of Health-System Pharmacists.

John is recognized by his colleagues as a leader in the field of pharmacy education as he prepares today's pharmacy students for delivering effective and efficient health care in our Nation's complex and ever changing system. As President of ASHP, Dr. Murphy will guide the Nation's pharmacists as they develop new and innovative patient care methods.

It is my distinct honor to congratulate and honor John E. Murphy on his well-deserved achievement as the ASHP president. Dr. Murphy has made significant contributions to the Uni-

versity of Arizona, and I am confident that he will prove to be a successful leader for the American Pharmacy. •

#### 1997 WORLD CITIZEN AWARD

• Mrs. MURRAY. Mr. President, I rise join the Washington World Affairs Council in congratulating Ambassador Booth Gardner on his selection as the 1997 recipient of the World Citizen Award.

The World Affairs Council is a 1,200 member nonprofit organization of business and community leaders with more than 40 years of experience bringing the world to Washington State. From the widely popular Public Programs, which includes the annual lecture series to the nationally recognized International Visitors Program, the World Affairs Council has been an instrumental force in bringing together varied and diverse cultures as well as exposing Washington State to changing political environments around the globe and the importance of international trade.

Booth Gardner was first elected to public office in 1972 where he served 3 years as a State senator followed by election as Pierce County Executive in 1980. In 1984, Booth Gardner realized his boyhood dream with his election to Washington's governorship. A widely popular Governor, Booth was re-elected to a second term in 1988.

As Governor of the most trade dependent State in the Nation, Governor Gardner was exposed on numerous occasions to the importance of international cooperation and negotiation. Trade missions to Europe and Asia allowed Governor Gardner to boost Washington's ties abroad creating new business, cultural, and educational opportunities.

After completing his second term, Governor Gardner was appointed by the newly elected President Clinton to become the first U.S. ambassador to the World Trade Organization. Assuming the much deserved title of Ambassador, Booth Gardner played a major role in shaping this important organization and particularly representing U.S. interests. Throughout his service to the WTO, he carefully balanced the needs of the United States with the goals of multilateral cooperation. Ambassador Gardner set the standard for U.S. participation at the WTO.

Congratulations Ambassador Booth Gardner. Your public service from Washington State to capital cities throughout the world makes all of Washington very proud. •

#### FEDERAL STATISTICAL ACT OF 1997

• Mr. BROWNBACK. Mr. President, yesterday Mr. MOYNIHAN, Mr. THOMPSON and Mr. KERREY joined me in introducing the Federal Statistical System